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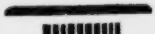

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FORM 10-Q

SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

(Mark One)

1123/19

[X] QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

A
92-2048

For the quarterly period ended: January 31, 1992

OR

[ ] TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition from _____ to _____

Commission file number: 0-13063

AUTOTOTE CORPORATION
Exact name of registrant as specified in its charter

Delaware	81-0422894
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)

100 Bellevue Road, Newark, Delaware 19714-6009
(Address of principal executive offices)
(Zip Code)

(302) 737-4300
(Registrant's telephone number, including area code)

UNITED TOTE, INC.
(Former name, former address and former fiscal year, if changed since last report)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes XX No __

APPLICABLE ONLY TO CORPORATE ISSUERS:

Indicate the number of shares outstanding of each of the issuer's classes of common stock as of the latest practicable date: 4,291,874

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AUTOTOTE CORPORATION AND SUBSIDIARIES
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AUTOTOTE CORPORATION AND SUBSIDIARIES
Consolidated Balance Sheets
Unaudited

	January 31, 1992	October 31,1991
Assets		
Current assets:		
Cash and cash equivalents	$ 475,928	$ 2,936,889
Accounts receivable, net	4,305,167	2,450,623
Current installments of notes receivable	168,850	218,327
Inventories	5,249,504	4,670,483
Prepaids, deposits and other	76,603	116,414
Total current assets	10,276,052	10,392,736
Property and equipment, at cost	38,155,049	37,314,302
Less accumulated depreciation	12,163,083	10,603,800
Net property and equipment	25,991,966	26,710,502
Goodwill, less amortization	1,746,554	1,758,026
Other intangible assets, less amortization	316,672	341,671
Other assets and investments	3,221,534	3,249,029
	$ 41,552,778	$ 42,451,964

AUTOTOTE CORPORATION AND SUBSIDIARIES
Consolidated Balance Sheets
Unaudited

	January 31, 1992	October 31, 1991
Liabilities and Stockholders' Equity		
Current Liabilities:		
Current installments of long-term debt	$ 2,089,200	$ 2,392,907
Accounts payable	2,964,340	2,702,714
Accrued liabilities	7,171,946	9,375,785
Income taxes payable	257,881	400,525
Total current liabilities	12,483,367	14,871,931
Deferred income taxes	4,631,658	4,631,658
Other long-term liabilities	1,396,093	1,396,093
Long-term debt, excluding current installments	51,924,545	50,195,899
Total liabilities	70,435,663	71,095,581
Stockholders' equity (deficiency):		
Preferred stock	3,551	3,551
Common stock	56,819	56,819
Additional paid-in capital	48,585,331	48,585,331
Retained earnings (deficit)	(72,656,442)	(72,417,174)
Less shares in treasury, at cost	(4,872,144)	(4,872,144)
Total stockholders' equity (deficiency)	(28,882,885)	(28,643,617)
	$ 41,552,778	$ 42,451,964

AUTOTOTE CORPORATION AND SUBSIDIARIES
Consolidated Statements of Operations
Unaudited

	Three Months Ended January 31, 1992	Three Months Ended January 31, 1991
Operating revenues:		
Wagering systems	$ 7,516,320	$ 10,951,203
Racetracks	-	3,621,822
Wagering equipment and other sales	1,692,838	1,232,236
	9,209,158	15,805,261
Operating expenses (exclusive of depreciation and amortization shown below):		
Wagering systems	4,894,506	6,285,364
Racetracks	-	3,245,919
Cost of sales	1,207,069	736,779
	6,101,575	10,268,062
	3,907,583	5,537,199
Selling, general and administrative expenses	1,131,544	2,720,643
Depreciation and amortization	1,641,009	3,608,191
Operating income	1,135,030	(791,635)
Other (income) deductions:		
Interest expense	1,500,802	2,714,195
Interest income	(23,154)	(42,346)
	1,477,648	2,671,849
Earnings (loss) before income taxes	(342,618)	(3,463,484)
Income taxes (benefit)	(113,100)	(761,996)
Net earnings (loss)	$ (229,518)	$ (2,701,488)
Earnings (loss) per common share	$ (.05)	$ (.48)
Weighted average number of common shares outstanding	4,289,874	5,681,915

AUTOTOTE CORPORATION AND SUBSIDIARIES
Consolidated Statements of Stockholders' Equity
(Unaudited)

	Preferred stock	Common stock	Additional paid-in capital	Retained earnings	Equity adjustment from translation	Treasury stock	Total stockholders' equity
Balances, October 31, 1989	-	30,816	11,103,433	7,463,973	29,126	-	18,627,348
Issuance of preferred and common stock, net of expenses of $1,819,965	1,839,383	7,754	33,583,193	-	-	-	35,430,330
Dividends on Series B Preferred Stock	-	-	-	(171,655)	-	-	(171,655)
Recapitalization of Series A Preferred Stock to common stock	(1,821,631)	18,216	1,803,415	-	-	-	-
Exercise of stock options	-	33	12,917	-	-	-	12,950
Net loss	-	-	-	(2,719,912)	-	-	(2,719,912)
Equity adjustment from translation	-	-	-	-	(73,289)	-	(73,289)
Balances, October 31, 1990	17,752	56,819	46,502,958	4,572,406	(44,163)	-	51,105,772
Split Off transaction	-	-	(3,664,428)	-	-	-	(3,664,428)
Acquisition of treasury stock	-	-	-	-	-	(4,872,144)	(4,872,144)
Sale of equipment to affiliate	-	-	1,663,200	-	-	-	1,663,200
Retirement of Series B Preferred Stock	(14,201)	-	14,201	-	-	-	-
Dividends on Series B Preferred Stock	-	-	-	(202,247)	-	-	(202,247)
Issuance of warrants	-	-	4,069,400	-	-	-	4,069,400
Net loss	-	-	-	(76,787,333)	-	-	(76,787,333)
Translation adjustment due to divestiture	-	-	-	-	44,163	-	44,163
Balances, October 31, 1991	3,551	56,819	48,585,331	(72,417,174)	-	(4,872,144)	(28,643,617)
Dividends on Series B Preferred Stock	-	-	-	(9,750)	-	-	(9,750)
Net loss	-	-	-	(229,518)	-	-	(229,518)
Balances, January 31, 1992	3,551	56,819	48,585,331	(72,656,442)	-	(4,872,144)	(28,882,885)

AUTOTOTE CORPORATION AND SUBSIDIARIES
Consolidated Statements of Cash Flows
Unaudited

	Three Months Ended January 31, 1992	Three Months Ended January 31, 1991
Cash flows from operating activities:		
Net earnings (loss)	$ (229,518)	$(2,701,488)
Adjustments to reconcile net earnings (loss) to cash provided by operating activities:		
Depreciation and amortization	1,641,009	3,608,191
Changes in operating assets and liabilities:		
Accounts receivable	(1,854,544)	(952,732)
Notes receivable	49,477	(64,246)
Inventories	(579,021)	(363,732)
Prepaids, deposits and other	39,811	60,696
Accounts payable	261,626	(1,206,946)
Accrued expenses	(2,213,589)	445,104
Income taxes	(142,644)	(863,015)
Other	109,639	129,287
Total adjustments	(2,688,236)	792,607
Net cash provided (used) by operating activities	(2,917,754)	(1,908,881)
Cash flows from investing activities:		
Capital expenditures	(840,747)	(531,413)
Payments for other assets and investments	(100,118)	(40,639)
Net cash used in investing activities	(940,865)	(572,052)

AUTOTOTE CORPORATION AND SUBSIDIARIES
Consolidated Statements of Cash Flows
Unaudited
(Continued)

	Three Months Ended January 31, 1992	Three Months Ended January 31, 1991
Cash flows from financing activities:		
Advances to or from affiliate	-	347,649
Dividends paid	-	(48,741)
Net borrowings under lines-of-credit	2,223,665	4,003,003
Payments on long-term debt	(826,007)	(273,288)
Payments on bridge-term debt	-	(1,200,000)
Net cash provided by financing activities	1,397,658	2,828,623
Effect of exchange rate changes on cash	-	219
Increase (decrease) in cash and cash equivalents	(2,468,961)	347,919
Cash and cash equivalents, beginning of year	2,936,889	1,808,385
Cash and cash equivalents, end of period	$ 475,928	$ 2,156,304

Cash paid during the quarter ended:	January 31, 1992	January 31, 1991
Interest	$ 2,836,112	$ 1,024,699
Income taxes	$ 29,544	$ 109,273

AUTOTOTE CORPORATION AND SUBSIDIARIES

Notes to Consolidated Financial Statements

1. Summary of Significant Accounting Principles

(a) Principles of Consolidation

The consolidated balance sheet as of January 31, 1992 and the consolidated statements of operations, stockholders' equity and cash flows for the three month periods ended January 31, 1992 and 1991 have been prepared by the Company, without audit. In the opinion of management, all adjustments (consisting of normal recurring accruals) necessary to present fairly the financial position, results of operations and changes in financial position as of and for the periods indicated have been made. The October 31, 1991 financial statements were taken from statements audited by KPMG Peat Marwick in connection with the Company's annual audit.

2. Inventories

	January 31, 1992	October 31, 1991
Wagering system parts	$ 2,421,274	$ 1,957,690
Wagering systems equipment	2,421,282	2,381,107
Ticket paper	406,948	331,686
Total	$ 5,249,504	$ 4,670,483

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

On October 31, 1991, the Company transferred all the outstanding capital stock of its subsidiaries United Tote World Wide, Inc. and UT Wisconsin, Inc. and their related businesses (the "Divested Business") in exchange for 1,392,041 shares of the Company's Common Stock and 14,201 shares of the Company's Series B Convertible Preferred Stock held by certain former shareholders of the Company (the "Split Off")

The Split Off was consummated in compliance with a Final Judgment and Order entered by the United States District Court for the District of Delaware in an antitrust suit filed by the U. S. Department of Justice against the Company challenging the acquisition of Autotote Systems, Incorporated (the "Autotote Acquisition").

The effect of the Split Off was to divest the Company of all of the United Tote business in on-track, off-track and inter-track totalisator systems and services and of all of the Company's racetrack business. The business of the Company after giving effect to the Split Off consists of the on-track, off-track and inter-business conducted by Autotote and the sports/race wagering business conducted by Autotote CBS, Inc. (the "Retained Business").

Quarter Ended January 31, 1992 as Compared to Quarter Ended January 31, 1991.

Operating revenues for the first quarter declined 42 % from $15.8 million in fiscal 1991 to $9.2 million in fiscal 1992. A net loss of $.2 million or $.05 per common share was incurred in the first quarter of fiscal 1992, compared to a net loss of $2.7 million or $.48 per common share incurred in the first quarter of fiscal 1991.

The following tables show revenue and expense data for the Retained Business for the first quarter of fiscal 1992 and for the Retained Business, the Divested Business, and for the Company consolidated for the first quarter of fiscal 1991.

Revenue Analysis

(in millions)

	Quarter Ended January 31, 1992	Quarter Ended January 31, 1991		
	Retained Business	Retained Business	Diverted Business	Consolidated
Wagering systems	$ 7.5	7.8	3.2	11.0
Wagering equipment and other sales	1.7	1.2	-	1.2
Racetracks	-	-	3.6	3.6
	$ 9.2	9.0	6.8	15.8

Revenues of the Retained Business for the first quarter of fiscal 1992 increased 2% or $ .2 million to $ 9.2 million as compared to the same period in fiscal 1991.

Expense Analysis

(In millions)

	Quarter Ended January 31, 1992	Quarter Ended January 31, 1991		
	Retained Business	Retained Business	Divested Business	Consolidated
Wagering systems	$ 4.1	4.3	2.0	6.3
Cost of sales	$ 1.2	.8	-	.8
Racetracks	-	-	3.2	3.2
Selling, general and administrative expenses	$ 1.1	1.2	.9	2.1
Depreciation and amortization	$ 1.6	2.5	1.1	3.6
Other deductions (income):				
Interest expense	$ 1.5	2.4	.3	2.7
Interest income	$ -	-	-	-
Litigation costs	$ -	.6	-	.6

Gross margins on wagering systems revenues of the Retained Business remained at 45% in the first quarter of fiscal 1992 as compared to the first quarter of fiscal 1991. Gross margins on equipment and other sales declined 4% to 29% for the first quarter of fiscal 1992 as compared to 33% for the same period in fiscal 1991, principally due to a onetime sale of customized terminals.

Selling, general and administrative expenses of the Retained Business decreased $ .1 million and decreased 1% as a percent of total revenues to 12% for the first quarter of fiscal 1992 as compared to 13% for the first quarter of fiscal 1991.

Depreciation and amortization expense of the Retained Business decreased 36% to $1.6 million for the first quarter of fiscal 1992 from $2.5 million for the same period in fiscal 1991. The decrease in depreciation and amortization is principally due to a reduction in amortization which resulted from the write-off in fiscal 1991 of goodwill and other intangibles related to the Autotote Acquisition.

Antitrust litigation costs for the first quarter of fiscal 1991 amounted to $ .6 million. The antitrust litigation was completed in fiscal 1991. In the Company's consolidated statements of operations set forth in Part I Item 1 of this report, the litigation costs for the first quarter of fiscal 1991 were included in selling, general, and administrative expenses.

Interest expense of the Retained Business decreased 37% from $ 2.4 million for the first quarter of fiscal 1991 to $1.5 million for the first quarter of fiscal 1992. The decrease reflects the assumption of certain debt of the Company by the Divested Business and the Company's repayment of certain debt, each in connection with the Split Off, the restructuring of the Company's Subordinated Debentures at the end of fiscal 1991, and reduced interest rates.

Net Loss

The net loss for the first quarter of fiscal 1992 was $ .2 million as compared to a net loss of $2.7 million for the first quarter of fiscal 1991. The reduced net loss for the first quarter of fiscal 1992 primarily reflects reduced depreciation and amortization, interest expenses, and the absence

of antitrust litigation costs. The net loss for the first quarter of fiscal 1991 included the operating loss of the Divested Business.

Income tax benefit was 33% of the pre-tax loss for the first quarter of fiscal 1992, compared to 22% for the first quarter of fiscal 1991.

Liquidity and Capital Resources

At January 31, 1992, the Company had $3.2 million available for borrowing under a $7 million revolving credit facility ("the Revolver") which is part of a credit facility of $44 million (the "Credit Facility"), which also includes a $37 million term loan.

As previously disclosed, on October 31, 1991 the Company effected certain amendments and modifications to its Subordinated Debentures (the "Debentures") issued in connection with the Autotote Acquisition. The holders of approximately 86% of the original aggregate principal amount of the Debentures agreed to certain modifications to their Debentures at that time. The holders of approximately 14% of the original aggregate principal amount of the Debentures, which now constitutes 16% of the outstanding principal amount, did not agree to any modifications. Since December 31, 1991, the Company has paid, and intends to continue to pay, cash interest on those Debentures at the rate of 11 1/4% per annum. Under the terms of the Debentures, those holders do not have the contractual right to accelerate or take any action with respect to non-payment of the balance of the original stated interest (14% in 1991, 15% in 1992 and 18% thereafter) since those holders hold less than 25% of the aggregate outstanding principal amount of the Debentures. At March 16, 1992, the amount of this interest payment default was $197,000. The Company has not paid this amount because of limitations on payment of interest on the Company's Subordinated Debentures contained in the Credit Facility.

Operating Activities

For the first quarter of fiscal 1992, the Company's operating activities used cash of $2.9 million, compared to $1.9 million used during the same period in fiscal 1991. Cash and cash equivalents totaled $.5 million at January 31, 1992 compared to $ 2.9 million at October 31, 1991. Working capital ratios improved to .82 to 1 at January 31, 1992 from .70 to 1 at October 31, 1991.

Most of the Company's future capital expenditure requirements will be for wagering system equipment. The amount of these expenditures is dependent upon the Company's ability to enter into service contracts with new customers. Each new customer may require the manufacture and assembly of a new wagering system unless the dates of operations of a new facility allow an existing system to be used at that facility.

The Company anticipates capital expenditure requirements of approximately $5 million for additional wagering systems for fiscal 1992. To the extent that capital expenditures are not financed from operations or the Revolver, the Company will seek long-term financing.

Inflation did not have a significant effect on the Company's operations during the first quarter of fiscal 1992 nor during fiscal years 1991, 1990 and 1989.

PART II. OTHER INFORMATION

Item 1. **Legal Proceedings.**

NONE

Item 2. **Changes in Securities**

NONE

Item 3. **Defaults Upon Senior Securities**

Information in "Liquidity and Capital Resources" in Part I, Item 2 of this report is incorporated herein by reference.

Item 4. **Submission of Matters to a Vote of Security Holders.**

NONE

Item 5. **Other Information**

On January 3, 1992, the Final Judgment and Order dated August 28, 1991 (the "Final Judgment") entered by the United States District Court for the District of Delaware in United States v. United Tote, Inc., previously filed under seal, was unsealed. A copy of the Final Judgment is attached hereto as Exhibit 19.1.

On February 28,1992 the stockholders voted to change the name of the Company to "Autotote Corporation" and authorized the designation of 9,500,000 shares of the Company's authorized Common Stock as Class A Common Stock and 500,000 shares of the Company's authorized Common Stock as a new class of Nonvoting Common Stock to be designated Class B Nonvoting Common Stock which will be convertible into Class A Common Stock.

Item 6. **Exhibits and Reports on Form 8-K.**

a) Exhibits

19.1 Final Judgment dated August 28, 1991 entered by the United States District Court for the District of Delaware in United States v. United Tote, Inc.

b) Reports on Form 8-K

The Company filed a report on Form 8-K dated October 31, 1991 with the Securities and Exchange Commission (the "Commission") on November 14, 1991, which was amended by Form 8 filed with the Commission on December 10, 1991. This report on Form 8-K reported on the Split Off and other related transactions and contained the unaudited pro forma consolidated balance sheet and statement of operations of the Company for the nine months ended July 31, 1991 and the unaudited pro forma statement of operations for the fiscal year ended October 31, 1990. The Company also filed a report on Form 8-K dated November 14, 1991 with the Commission on November 27, 1991 for the purposes of complying with the amendments to the rules governing Form S-8 under the Securities Act of 1933.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

AUTOTOTE CORPORATION
(Registrant)

DATE: March 16, 1992

Robert D. Clunci, Vice President-
Finance, Treasurer
(Principal financial officer, and
principal accounting officer.)

EXHIBIT INDEX

Exhibit No.	Description	Page
19.1	Copy of Final Judgment and Order entered by the United States District Court for the District of Delaware in United States v. United Tote, Inc. dated August 28, 1991	17

EXHIBIT 19.1

UNITED STATES DISTRICT COURT
FOR THE DISTRICT OF DELAWARE

UNITED STATES OF AMERICA, Plaintiff, v. UNITED TOTE, INC., Defendant.	Civil No. 90-130-LON

FINAL JUDGMENT AND ORDER

WHEREAS, plaintiff, United States of America, having filed its Complaint herein on March 14, 1990;

AND WHEREAS, on May 10, 1991, the Court entered judgment in favor of plaintiff, and ordered the parties to submit a stipulated Final Judgment and Order setting forth mutually acceptable terms and conditions of divestiture, if agreement could be reached;

NOW, THEREFORE, it is hereby

ORDERED, ADJUDGED AND DECREED as follows:

I. JURISDICTION

This Court has jurisdiction over the subject matter of this action and over each of the parties hereto. The Complaint states a claim upon which relief may be granted against

defendant under Section 7 of the Clayton Act, as amended, 15 U.S.C. § 18.

II. DEFINITIONS

As used in this Final Judgment and Order:

A. "United Tote" means the business entities conducting the business conducted by United Tote, Inc. on December 10, 1989, and any and all interest that defendant has in all of the real, personal, and intellectual property of United Tote used in the manufacture and provision of on-track, off-track, and inter-track totalisator systems and services;

B. "Autotote" means Autotote Limited or any other business entity conducting the business conducted by Autotote Systems, Inc. on December 10, 1989, and any and all interest that defendant has in all of the real, personal; and intellectual property of Autotote used in the manufacture and provision of on-track, off-track, and inter-track totalisator systems and services;

C. "Holding Company" means defendant United Tote, Inc., and its directors, officers, employees, agents or anyone acting on their behalf;

D. "Divestiture" means the sale or transfer by the Holding Company to a Purchaser of the Totalisator Business of United Tote or Autotote, with the result that after Divestiture the Totalisator Businesses of United Tote and Autotote will function as separate and independently viable ongoing businesses with

their assets, management, ownership and control completely separate, distinct and apart from one another;

E. "Divested Entity" means the entity that is sold or transferred to the Purchaser pursuant to the Holding Company's obligation to accomplish Divestiture under this Final Judgment and Order;

F. "Divestiture Time Period" means the period ending six months after the entry of this Final Judgment and any extension thereof pursuant to Section IV.I hereof;

G. "Person" means any natural person, corporation, association, firm, partnership or other business or legal entity;

H. "Purchaser" means a Person to whom the Divested Entity or its stock or assets is sold or transferred by the Holding Company pursuant to Section IV hereof or by the Trustee pursuant to Section V hereof;

I. "Totalisator Business" means the business entities of United Tote or Autotote, as the case may be, engaged in, and all of the real, personal and intellectual property of United Tote or Autotote, as the case may be, used in, the manufacture and provision of on-track, off-track, and inter-track totalisator systems and services;

J. "Trustee" means the Divestiture Trustee appointed by the Court pursuant to Section V hereof.

III. APPLICABILITY

A. The provisions of this Final Judgment shall apply to the Holding Company, United Tote and Autotote; their successors and assigns; their officers, directors, employees and agents, and all other Persons acting for or on behalf of any of them who shall have received actual notice of this Final Judgment by personal service or otherwise.

B. Prior to the expiration of this Final Judgment, the Holding Company shall require, as a condition of Divestiture, that the Purchaser agree to be bound by the provisions of this Final Judgment.

C. Nothing herein shall suggest that any portion of this Final Judgment is or has been created for the benefit of any third party, and nothing shall be construed to provide any rights to any third party.

IV. DIVESTITURE

A. The Holding Company is hereby ordered and directed to accomplish Divestiture as soon as possible within the Divestiture Time Period.

B. Divestiture under Section IV, or by the Trustee pursuant to Section V herein, shall be accomplished in such a way as to satisfy plaintiff or the Court that the Divested Entity can and will be operated by the Purchaser as a viable, ongoing business engaged in the manufacture and provision of on-track, off-track, and inter-track totalisator systems and services in North America, and that the operating company that

remains associated with the Holding Company can and will be operated as a viable, on-going business engaged in the manufacture and provision of on-track, off-track and inter-track totalisator systems and services in North America. Divestiture under Section IV or by the Trustee under Section V shall be made to a Purchaser for whom it is demonstrated to the satisfaction of plaintiff that (1) the purchase is for the purpose of competing effectively in the manufacture and provision of on-track, off-track, and inter-track totalisator systems and services in North America and (2) the Purchaser has the managerial, operational, and financial capability to compete effectively in the manufacture and provision of on-track, off-track, and inter-track totalisator systems and services in North America.

C. If the Holding Company or the Trustee establishes to the satisfaction of plaintiff that Divestiture of all of the Totalisator Business of United Tote or Autotote cannot be accomplished in a manner that satisfies the conditions of Section IV.B, plaintiff may approve the Divestiture of less than the entirety of the Totalisator Business of United Tote or Autotote if such Divestiture would otherwise satisfy the conditions of Section IV.B.

D. Without the consent of plaintiff, neither the Holding Company nor any of its subsidiaries shall offer employment to employees currently employed by the Divested Entity for one year

following Divestiture under Section IV or by the Trustee under Section V.

E. The Holding Company shall take all reasonable steps to accomplish Divestiture within the Divestiture Time Period. Plaintiff may, upon the Holding Company's request and at any time on or before the end of the Divestiture Time Period, agree to extend said period for a period not to exceed three months if the Holding Company requests such an extension and demonstrates that it has made bona fide efforts to accomplish Divestiture and that there is a reasonable expectation that Divestiture to an identified potential Purchaser can be accomplished in the requested extended Divestiture Time Period, but that the Divestiture cannot be completed before the end of the initial Divestiture Time Period.

F. At the request of a Purchaser or the Trustee, the Holding Company shall agree to provide technical assistance as such Purchaser may reasonably require to enable such Purchaser to manufacture and provide on-track, off-track, and inter-track totalisator systems and services of the same general type and efficiency as those currently manufactured and provided by the Divested Entity, provided, however, that the Holding Company is only required to provide such technical assistance if the Purchaser agrees (a) to compensate the Holding Company in an amount equal to its costs incurred in providing such assistance; and (b) to hold harmless and indemnify the Holding Company from and against any and all claims arising out of the provision of

such assistance, and, provided, further, that the Holding Company shall not be required to provide such technical assistance after three months following Divestiture to such Purchaser, and shall not provide such technical assistance more than eighteen months following Divestiture to such Purchaser.

G. The Divestiture required by Section IV hereof shall not be made to any Person that is already engaged in the manufacture and provision of on-track, off-track, or inter-track totalisator systems and services in North America, without approval of plaintiff.

H. The Holding Company shall not finance all or any part of the purchase of the Divested Entity by a Purchaser without the prior written approval of plaintiff. Nor shall the Holding Company enter into any other financial agreement with the Purchaser for a period of one year following Divestiture without prior written approval of plaintiff.

I. After Divestiture, no director, officer, employee or shareholder of the Divested Entity or of the Purchaser may be a director, officer, employee or shareholder of the Holding Company, and no director, officer, employee or shareholder of United Tote or Autotote, respectively, may be a director, officer, employee or shareholder of Autotote or United Tote, respectively; provided, however, that this subparagraph shall not prevent an employee of the Divested Entity from continuing to hold stock in the Holding Company amounting to less than one percent of the outstanding common stock of the Holding Company.

In addition, this subparagraph shall not prevent a director, officer, employee or shareholder of the Divested Entity or of the Holding Company from continuing to be the beneficial owner of one percent or more of the outstanding common stock in the Holding Company or the Divested Entity, as the case may be, for such period of time as is reasonable and appropriate to permit the orderly sale or other disposition of such stock, provided that during such period the record owner of the stock shall be an independent trustee who shall have the sole discretion to determine how the stock shall be voted with respect to any matter submitted to stockholders for approval or disapproval. In the latter circumstance, the duration of the period for disposition of the stock, the identity of the trustee and the terms of the Trust shall be subject to the plaintiff's approval. Except in the case of competitively sensitive information provided pursuant to the Stipulated Order dated April 11, 1990, as amended, or pursuant to Paragraph 2(h) of the Stipulated Order dated July 10, 1991, no person who has been granted access to competitively sensitive information related to United Tote since the Court's Order of April 11, 1990, as amended, shall serve as a director, officer or employee of Autotote, or any person that owns Autotote, after Divestiture. Except in the case of competitively sensitive information provided pursuant to the Stipulated Order dated April 11, 1990, as amended, or pursuant to Paragraph 2(h) of the Stipulated Order dated July 10, 1991, no person who has been granted access

to competitively sensitive information related to Autotote since the Court's Order of April 11, 1990 shall serve as a director, officer or employee of United Tote, or any person that owns United Tote, after Divestiture. After Divestiture, Autotote shall not use any trademark belonging to United Tote, and United Tote shall not use any trademark belonging to Autotote. After Divestiture, Autotote shall not own or use any proprietary technology belonging to United Tote, and United Tote shall not own or use any proprietary technology belonging to Autotote.

J. For a period of five years after the entry of this Final Judgment, United Tote, Autotote, the Holding Company and Purchaser and their successors and assigns shall not acquire, directly or indirectly, any of the stock or assets of any person then engaged in the manufacture or provision of on-track, off-track or inter-track totalisator systems and services in North America without prior approval of plaintiff or the Court. For a period of five years after entry of this Final Judgment, United Tote, Autotote, Holding Company and Purchaser shall not sell or assign contracts to supply totalisator systems or services that account for more than 10 percent of their total annual totalisator revenues to any person then engaged in the manufacture or provision of on-track, off-track or inter-track totalisator systems and services in North America without prior approval of plaintiff or the Court.

V. DIVESTITURE TRUSTEE

A. If the Holding Company has not accomplished the Divestiture required under Section IV hereof within the Divestiture Time Period, the Court shall appoint a Trustee for the purpose of accomplishing said Divestiture in accordance with the provisions of this Section V. Within twenty days of the expiration of the Divestiture Time Period without Divestiture having been accomplished, plaintiff shall furnish the Holding Company with the names and qualifications of two nominees for the Trustee. Within ten days of receiving plaintiff's names and qualifications, the Holding Company shall advise plaintiff of either its acceptance of one of the nominees or shall provide the names and qualifications of two other nominees for the Trustee. If the parties fail to agree on the appointment of a nominee within ten days, plaintiff shall promptly apply to the Court for the appointment of a Trustee and shall provide the Court with the names and qualifications of the nominees identified by the plaintiff and the Holding Company. The Court may hear the parties as to the qualifications of their respective nominees and shall promptly appoint one of the nominees to be the Trustee.

B. Upon appointment, the Trustee shall have the exclusive right and authority to accomplish Divestiture by sale to a Purchaser approved by plaintiff at such price and on such terms as are then obtainable upon a reasonable effort by said Trustee, provided, however, the Trustee shall not divest to any Person enumerated in Section IV.G hereof without permission of

plaintiff. The Holding Company may object to the proposed sale by the Trustee only on the ground of the Trustee's malfeasance or breach of fiduciary duty. Any such objection shall be conveyed in writing to plaintiff and the Trustee within fifteen days of the Trustee's notification to the parties of a proposed sale.

C. The Trustee shall serve at the cost and expense of the Holding Company and shall receive compensation based on a fee arrangement providing an incentive based on price and terms of the Divestiture and the speed with which it is accomplished. The Trustee and the Holding Company shall negotiate in good faith the terms of the Trustee's compensation arrangement, subject to the approval of the plaintiff or the Court. In the event they are unable to reach agreement, the terms of the Trustee's compensation shall be set by the Court. The Trustee shall receive no compensation nor incur any costs or expenses prior to the date of his or her appointment. The Trustee shall account for all monies derived from the Divestiture and for all costs and expenses incurred in connection therewith, including the Trustee's fees, and all remaining monies shall be paid promptly to the Holding Company and the Trust shall then be terminated.

D. The Holding Company shall, as requested, assist the Trustee to accomplish the required Divestiture and shall take no action to impede such efforts. The Trustee shall have full access to personnel, books, records and facilities of United Tote and Autotote, and United Tote and Autotote shall develop

such financial or other information relevant to United Tote or Autotote as the Trustee may reasonably request, subject to appropriate protections for confidential information.

E. The Trustee shall provide the parties with monthly reports describing efforts to accomplish the required Divestiture. Each report shall contain (a) the name and address of each Person who, during the preceding month, expressed any interest in, made any inquiry regarding, or was contacted regarding the Divestiture; and (b) a detailed description of all communications from and to each such Person. The Trustee shall maintain full records of all such communications.

F. If the Trustee has not accomplished the required Divestiture within six months of appointment, the Trustee shall within twenty days of the expiration of said six-month period submit a report to the parties and the Court setting forth (a) the Trustee's efforts to accomplish the Divestiture, (b) the reasons, in the Trustee's judgment, why Divestiture has not been accomplished, and (c) the Trustee's recommendations. The parties shall thereupon have the right to be heard and to make their own recommendations. The Court shall thereafter enter such orders as it deems appropriate, which may include extension of the Trust and the Trustee's appointment for some specified further period.

VI. NOTIFICATION

The Holding Company or the Trustee, whichever is then responsible for effecting the Divestiture, shall notify plaintiff of any proposed Divestiture pursuant to Section IV or V hereof. If responsible, the Trustee shall also notify the Holding Company. The notice shall set forth the details of the proposed transaction and list the name, address, and telephone number of each Person not previously identified who offered to acquire, or expressed an interest in acquiring or desire to acquire any ownership interest in the Divested Entity, together with full details of same. Within fifteen days of receipt of such notice, the plaintiff or the Holding Company may request additional information concerning the proposed Divestiture and the proposed Purchaser. United Tote, Autotote, the Holding Company or the Trustee shall furnish any additional information requested within twenty days of the receipt of any such request, unless the parties shall otherwise agree. Within thirty days after receipt of the notice or within twenty days after plaintiff has been provided the additional information requested, whichever is later, plaintiff shall provide written notice to the Holding Company and any Trustee, stating whether or not plaintiff objects to the proposed Divestiture. If plaintiff provides written notice to the Holding Company or the Trustee that it does not object, then the parties shall promptly consummate the Divestiture, subject only to the Holding Company's rights to object to the sale pursuant to Section V.B hereof. Upon objection by plaintiff, a Divestiture proposed

under Section IV shall not be consummated unless approved by the Court on motion of defendant pursuant to Section IX. Upon objection by plaintiff or by the Holding Company, a Divestiture proposed under Section V shall not be consummated unless approved by the Court.

VII. PRESERVATION OF ASSETS

Until the Divestiture required by this Final Judgment has been accomplished, defendant shall be bound by the Stipulated Hold Separate Order dated July 10, 1991.

VIII. COMPLIANCE INSPECTION

For the purposes of determining or securing compliance with this Final Judgment and subject to any legally recognized privilege, from time to time:

A. Duly authorized representatives of the Department of Justice shall, upon written request of the Attorney General or of the Assistant Attorney General in charge of the Antitrust Division, and on reasonable notice to defendant's principal office or counsel, be permitted:

1. access during office hours of defendant to inspect and copy all books, ledgers, accounts, correspondence, memoranda, and other records and documents in the possession or under the control of defendant, who may have counsel present, relating to any matters contained in this Final Judgment; and

2. subject to the reasonable convenience of defendant and without restraint or interference from it, to interview officers, employees, and agents of such defendant, who may have counsel present, should they so choose.

B. Upon the written request of the Attorney General or of the Assistant Attorney General in charge of the Antitrust Division made to defendant's principal office or counsel, defendant shall submit such written reports, under oath, with respect to any of the matters contained in this Final Judgment as may be requested.

C. No information or documents obtained by the means provided herein shall be divulged by a representative of the Department of Justice to any Person other than a duly authorized representative of the Executive Branch of the United States, except in the course of legal proceedings to which the United States is a party (including grand jury proceedings), or for the purpose of securing compliance with this Final Judgment, or as otherwise required by law.

D. If at the time information or documents are furnished by defendant to plaintiff, defendant represents and identifies in writing the material in any such information or documents to which a claim of protection may be asserted under Rule 26(c)(7) of the Federal Rules of Civil Procedure, and defendant marks each pertinent page of such material, "Subject to claim of protection under Rule 26(c)(7) of the Federal Rules of Civil Procedure," then ten days notice shall be given by plaintiff to

defendant prior to divulging such material in any legal proceeding (other than a grand jury proceeding).

IX. JUDICIAL REVIEW

In each instance where plaintiff's satisfaction, approval or consent is required or contemplated under this Final Judgment, such satisfaction, approval or consent shall not be unreasonably withheld. In the event the Holding Company believes that plaintiff's satisfaction, consent or approval has been withheld unreasonably, it may file a motion with the Court upon the provision of ten days written notice to plaintiff. Any review of whether plaintiff has acted reasonably shall be based on information that was made available to plaintiff during its consideration of the request for approval.

X. RETENTION OF JURISDICTION

Jurisdiction is retained by this Court for the purpose of enabling any of the parties to this Final Judgment to apply to this Court at any time for such further orders and directions as may be necessary or appropriate for the construction or carrying out of this Final Judgment, for the modification of any of the provisions hereof, for the enforcement of compliance herewith, and for the punishment of any violations hereof.

XI. TERMINATION

This Final Judgment will expire eighteen months after the completion of Divestiture in accordance with the provisions of Section IV or Section V hereof, except for Section IV.J., which will expire five years after completion of Divestiture, and except for Section IV.I, which will expire upon the termination of any Trust established pursuant to that Section.

SO ORDERED this 28th day of August, 1991.

Joseph J. Longobardi
Chief Judge